

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITORS' REPORTS
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2010**

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SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
OFFICIALS

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-------------|--------------|---------------------|
|-------------|--------------|---------------------|

BOARD OF EDUCATION

(Before September, 2009 Election)

| | | |
|------------------|----------------|------|
| Todd Herrig | President | 2011 |
| Kevin Lindquist | Vice President | 2011 |
| Kevin Ehlers | Board Member | 2009 |
| Sara Fassler | Board Member | 2009 |
| Jeannette Hasley | Board Member | 2011 |

(After September, 2009 Election)

| | | |
|------------------|----------------|------|
| Kevin Lindquist | President | 2011 |
| Jeannette Hasley | Vice President | 2011 |
| Liza Gunnerson | Board Member | 2011 |
| Lory Krummen | Board Member | 2013 |
| Randy Ripke | Board Member | 2013 |

SCHOOL OFFICIALS

| | |
|-----------------|------------------------------|
| Dr. Dan Frazier | Superintendent |
| Angela Smith | District Secretary/Treasurer |



Certified Public Accountants

Independent Auditors' Report

To the Board of Education of the
Sioux Central Community School District

We have audited the accompanying financial statements of the governmental activities, business-type activity, each major fund and the aggregate remaining fund information of Sioux Central Community School District, Sioux Rapids, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activity, each major fund, and the aggregate remaining fund information of Sioux Central Community School District as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2010, on our consideration of Sioux Central Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and pages 38 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which

consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sioux Central Community School District's basic financial statements as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. We did not audit, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2004. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole

Williams + Company, P.C.

Certified Public Accountants

Spencer, Iowa
December 7, 2010

SIoux CENTRAL COMMUNITY SCHOOL DISTRICT MANAGEMENT DISCUSSION AND ANALYSIS

Sioux Central Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

General fund revenues decreased from \$5,336,671 in fiscal 2009 to \$5,255,107 in fiscal 2010, while General fund expenditures increased from \$5,178,183 in fiscal 2009 to \$5,234,963 in fiscal 2010. The District's General fund balance increased from \$884,355 at the end of fiscal 2009 to \$904,499 at the end of fiscal 2010, a 2% increase.

The decrease in General fund revenues was attributable mainly due to the decrease in state aid to the district and the deferral of federal ARRA revenue to FY11. The increase in expenditures was due primarily to the initial payment for the laptop initiative. The General fund balance increase is the result of controlling expenditures.

A decline in interest rates during the past three fiscal years, combined with less cash available to be invested, resulted in interest earnings in the General Fund alone decreasing from \$46,883 in fiscal year 2009 to \$31,992 in fiscal year 2010.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Nets Assets and a Statement of Activities. These provide information about the activities of Sioux Central Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financials statements report Sioux Central Community School District's operations in more detail than the government-wide statements provide information about the most significant funds. The remaining statements provide financial information about activities for which Sioux Central Community School District acts solely as an agent or custodian for the benefit of those outside of the District.
- Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

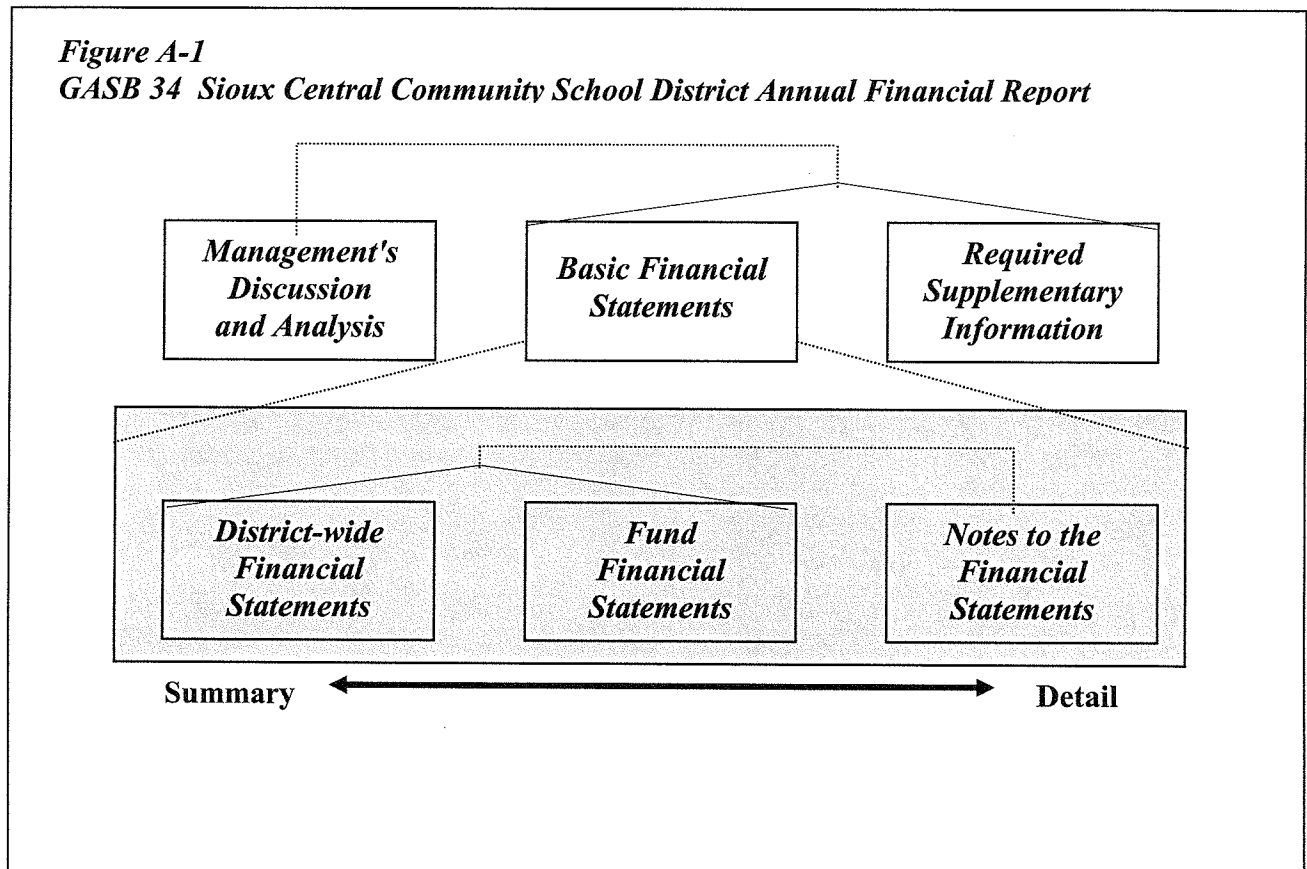


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

| Figure A-2 Major Features of the Government-wide and Fund Financial Statements | | | |
|---|--|--|--|
| | Government-wide Statements | Fund Statements | |
| | | Governmental Funds | Proprietary Funds |
| Scope | Entire District (except fiduciary funds) | The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance | Activities the District operates similar to private businesses: food services and adult education |
| Required financial statements | <ul style="list-style-type: none"> • Statement of net assets • Statement of activities | <ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances | <ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, short-term and long-term | Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included | All assets and liabilities, both financial and capital, short-term and long-term |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid |

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statement

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Fund. The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.
- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary funds*: Fiduciary funds are custodial in nature and are used to account for funds held by the District on behalf of someone else. The District's fiduciary funds include a private purpose scholarship trust fund. The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations. The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement change in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2010 compared to June 30, 2009.

Figure A-3

Condensed Statement of Net Assets

| | Governmental Activities | | Business-Type Activity | | Total District | | Total Change |
|--|----------------------------|---------------------|---------------------------|------------------|---------------------|---------------------|-----------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2009-2010 |
| Current and Other Assets | \$ 4,595,645 | \$ 5,522,530 | \$ 32,892 | \$ 38,844 | \$ 4,628,537 | \$ 5,561,374 | -16.8% |
| Capital Assets | 5,531,627 | 5,597,910 | 13,686 | 16,495 | 5,545,313 | 5,614,405 | -1.2% |
| Total Assets | 10,127,272 | 11,120,440 | 46,578 | 55,339 | 10,173,850 | 11,175,779 | -9.0% |
| Current Liabilities | 3,825,265 | 4,090,959 | 59 | 19,812 | 3,825,324 | 4,110,771 | -6.9% |
| Non-Current Liabilities | 1,778,621 | 2,071,050 | - | - | 1,778,621 | 2,071,050 | -14.1% |
| Total Liabilities | 5,603,886 | 6,162,009 | 59 | 19,812 | 5,603,945 | 6,181,821 | -9.3% |
| Net Assets Invested in Capital Assets, Net of Related Debt | 3,312,226 | 3,526,860 | 13,686 | 16,495 | 3,325,912 | 3,543,355 | -6.1% |
| Restricted | 525,969 | 422,107 | - | - | 525,969 | 422,107 | 24.6% |
| Unrestricted | 685,191 | 1,009,464 | 32,833 | 19,032 | 718,024 | 1,028,496 | -30.2% |
| Total Net Assets | \$ 4,523,386 | \$ 4,958,431 | \$ 46,519 | \$ 35,527 | \$ 4,569,905 | \$ 4,993,958 | -8.5% |

The District's combined net assets decreased 8.5% or approximately \$425,000, from the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on who they can be used. The District's restricted net assets increased approximately \$104,000, or 25%, over the prior year. The increase was primarily a result of the reinstatement of the Physical Plant and Equipment Levy, as well as increases in the categorical fund balances.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established debt covenants, enabling legislation or other legal requirements – decreased approximately \$325,000, or 30%. This reduction in unrestricted net assets was primarily a result of the elimination of the use of ISCAP.

Figure A-4 shows the changes in net assets.

Figure A-4

Changes in Net Assets from Operations

| | Governmental Activities | | Business-Type Activity | | Total District | | Total % Change |
|------------------------------------|------------------------------------|-------------------|-----------------------------------|-------------------|-----------------------|-------------------|---------------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | |
| Revenue: | | | | | | | |
| Program Revenue: | | | | | | | |
| Charges for Services | \$ 1,683,471 | \$ 1,633,904 | \$ 175,215 | \$ 169,691 | \$ 1,858,686 | \$ 1,803,595 | 3.05% |
| Operating Grants and Contributions | 825,402 | 816,806 | 169,415 | 141,223 | 994,817 | 958,029 | 3.84% |
| General Revenues: | | | | | | | |
| Property Tax | 2,292,053 | 2,258,097 | - | - | 2,292,053 | 2,258,097 | 1.50% |
| LOSST Tax | 299,130 | 221,469 | - | - | 299,130 | 221,469 | 35.07% |
| State Grants | 1,221,410 | 1,467,021 | - | - | 1,221,410 | 1,467,021 | -16.74% |
| Interest Income | 40,909 | 58,018 | 304 | 448 | 41,213 | 58,466 | -29.51% |
| Miscellaneous | 10,023 | 9,791 | - | - | 10,023 | 9,791 | 2.37% |
| Total Revenues | 6,372,398 | 6,465,106 | 344,934 | 311,362 | 6,717,332 | 6,776,468 | -0.87% |
| Expenses: | | | | | | | |
| Instruction | 4,767,816 | 3,860,365 | - | - | 4,767,816 | 3,860,365 | 23.51% |
| Support Services | 1,658,497 | 1,609,693 | - | - | 1,658,497 | 1,609,693 | 3.03% |
| Non-Instructional | - | - | 333,942 | 321,140 | 333,942 | 321,140 | 3.99% |
| Other Expenses | 381,130 | 441,480 | - | - | 381,130 | 441,480 | -13.67% |
| Total Expenses | 6,807,443 | 5,911,538 | 333,942 | 321,140 | 7,141,385 | 6,232,678 | 14.58% |
| Change in Net Assets | \$ (435,045) | \$ 553,568 | \$ 10,992 | \$ (9,778) | \$ (424,053) | \$ 543,790 | -177.98% |

Property tax and unrestricted state grants account for 55% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 92% of the total expenses.

The District's total revenues were approximately \$6.7 million, of which \$6.4 million was for governmental activities and \$350 thousand was for business type activities.

As show in Figure A-4, the district as a whole experience a .87% decrease in revenues and a 14.58% increase in expenses. The decrease in General Fund revenues was attributable mainly to a decrease in state aid and the deferral of the federal ARRA revenue. The increase in expenditures was due primarily to the initial payment for the laptop initiative.

Governmental Activities

Revenues for governmental activities for the year ended June 30, 2010 were \$6,372,398 and expenses were \$6,807,443.

Figure A-5 presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs, and other expenses, for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-5 - Net Cost of Governmental Activities

| | Total Cost of Services | | | Net Cost of Services | | |
|------------------|-------------------------------|---------------------|-----------------|-----------------------------|---------------------|-----------------|
| | 2010 | 2009 | % Change | 2010 | 2009 | % Change |
| Instruction | \$ 4,767,816 | \$ 3,860,365 | 23.51% | \$ 2,452,460 | \$ 1,602,278 | 53.06% |
| Support Services | 1,658,497 | 1,609,693 | 3.03% | 1,642,624 | 1,579,302 | 4.01% |
| Other Expenses | 381,130 | 441,480 | -13.67% | 203,486 | 279,248 | -27.13% |
| Total | \$ 6,807,443 | \$ 5,911,538 | 15.16% | \$ 4,298,570 | \$ 3,460,828 | 24.21% |

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was \$1,683,471 in 2010.
- Federal and state governments subsidized certain programs and grants and contributions totaling \$825,402 in 2010.
- The net cost of governmental activities was financed with \$2,591,183 in property taxes and other taxes and \$1,221,410 in unrestricted state grants.

Business-Type Activities

Revenues of the District's business-type activities (school food and nutrition services) totaled \$344,934 representing a 10.8% increase over the prior year, while expenses totaled \$333,942, a 4.0% increase over the prior year. (Refer to Figure A-4.) The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

Increased food costs account for the increase in expenses.

INDIVIDUAL FUND ANALYSIS

As previously noted, Sioux Central Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,418,197, a two percent decrease over last year's ending fund balances of \$1,446,288. Reason for decrease was mainly due to the beginning of the laptop initiative causing the decrease in the Capital Projects Fund.

Governmental Fund Highlights

The District attempted to maintain its General Fund balance by cutting staff and expenses from portions of the budget that were not already obligated, such as supplies and maintenance items.

The General Fund balance increased from \$884,355 to \$904,499 due, in part, to the management of expenses.

The Special Revenue, Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$0 at the end of fiscal year 2010 to \$51,215 at the end of fiscal year 2010. This was due to the reinstatement of the Physical Plant and Equipment Levy.

The Capital Projects Fund balance decreased due to the beginning of the laptop initiative.

Proprietary Fund Highlights

The School Nutrition Fund balance increased due primarily to an increase in the National School Lunch Program revenue.

Budgetary Highlights

The Sioux Central Community School District did not amend its annual budget during the fiscal year ending June 30, 2010.

The District's revenues were \$1,229,671 less than budgeted, primarily due to state funding cuts and less Special Ed tuition received than anticipated.

Total expenditures were higher than budgeted expenses primarily due to the laptop initiative and the refinancing of general obligation debt.

CAPITAL AND DEBT ADMINISTRATION

At June 30, 2010, the District had invested \$5.5 million, net of accumulated depreciation, in a broad range of assets, including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment. This represents a net increase of 6.8% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Total depreciation expense for the year was \$235,386.

The original cost of the District's capital assets was \$8,961,812. Governmental funds account for \$8,889,534 with the remainder of \$72,278 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity was due to the adjustment to reflect a more specific itemized capital assets inventory. The district has been working with the auditor over several years to accurately show the fixed assets. It was determined this was the year to make final adjustment, causing the changes.

Figure A-6 - Capital Assets

| | Governmental Activities | | Business-Type Activity | | Total District | | Total % Change |
|---------------------------------|-------------------------|----------------------|------------------------|------------------|---------------------|----------------------|----------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | |
| Land | \$ 125,495 | \$ 125,495 | \$ - | \$ - | \$ 125,495 | \$ 125,495 | 0.00% |
| Construction in Progress | - | 15,821 | - | - | - | 15,821 | 100.00% |
| Buildings | 7,048,262 | 6,476,302 | - | - | 7,048,262 | 6,476,302 | 8.83% |
| Improvements | 58,025 | 58,025 | - | - | 58,025 | 58,025 | 0.00% |
| Equipment, Furniture & Vehicles | 1,657,752 | 3,972,093 | 72,278 | 72,278 | 1,730,030 | 4,044,371 | -57.22% |
| Total | \$ 8,889,534 | \$ 10,647,736 | \$ 72,278 | \$ 72,278 | \$ 8,961,812 | \$ 10,720,014 | -16.40% |

Long-Term Debt

At year-end, the District had \$2,219,401 of long-term debt outstanding. This represents an increase of approximately 7% from last year. See Figure A-7 below. Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

In May of 2009, the board voted to refinance the current bonds in order to take advantage of lower interest rates. The Leases Payable is the Laptop Initiative lease.

Figure A-7 - Long-Term Debt

| | Total District | | Total % Change |
|--------------------------|---------------------|---------------------|----------------|
| | 2010 | 2009 | |
| General Obligation Bonds | \$ 1,645,000 | \$ 2,071,050 | -20.57% |
| Leases Payable | \$ 574,401 | \$ - | 0.00% |
| Total | \$ 2,219,401 | \$ 2,071,050 | 7.16% |

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could affect its financial health in the future:

- The District continues its sharing agreement with Albert City – Truesdale Community School District for academics. The agreement is going well. The administration is keeping communication lines open with other neighboring districts for the possibility of future sharing.
- The neighboring district of South Clay began the dissolution process, and closed its doors on June 30, 2010. While we will be receiving less revenue for tuition, those students, and approximately two dozen more, will become resident students, so we will be receiving 100% of their state money. We will also be receiving a portion of that district property, which will cause a significant adjustment to the property tax rates.

- The majority of the Federal ARRA revenue was deferred to Fiscal Year 2011 so we will be able to use these funds to assist in maintaining and improving the instruction services we provide to our students.
- Sioux Central school board approved a one to one laptop initiative. This will put a MacBook computer in the hands of every 7-12 grade student. Teachers began professional development training in May and the goals are in place for increasing student achievement.
- The District is currently experiencing a slight increase in our enrollment trend. We have had families move into or open enroll into the district.
- Health insurance continues to be a very costly item to the District. The rates are continuing to increase and are extremely high. Even though concessions have been made by employees in regard to deductibles, and coinsurance, other solutions need to be found. The skyrocketing cost of health care and the insurance to cover the cost will soon be unattainable by many.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. “No Child Left Behind”, “Student Achievement and Teacher Quality Act”, and “GASB 34”, to name a few.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide the District’s citizens, taxpayers, customers, and investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability of the money it receives. If you have questions about this report or need additional information, contact Angie Smith, Business Manager, Sioux Central Community School District, 4440 US Hwy 71, Sioux Rapids, IA 50585.

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BASIC FINANCIAL STATEMENTS

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

| | Primary Government Governmental Activities | Business Type Activities | Total |
|--|--|--------------------------------|---------------------|
| Assets | | | |
| Cash and Cash Equivalents: | \$ 1,286,010 | \$ 40,278 | \$ 1,326,288 |
| Receivables: | | | |
| Property Tax | 20,176 | - | 20,176 |
| Property Tax - Succeeding Year | 2,861,116 | - | 2,861,116 |
| Accounts | 2,438 | - | 2,438 |
| Due from Other Governmental Agencies | 336,838 | - | 336,838 |
| Internal Balances | 20,360 | (20,360) | - |
| Accrued Interest | 2,502 | - | 2,502 |
| Inventories | - | 12,974 | 12,974 |
| Prepaid Expenses | 38,390 | - | 38,390 |
| Unamortized Bond Issuance Costs | 27,815 | - | 27,815 |
| Land | 125,495 | - | 125,495 |
| Infrastructure, Property and Equipment, Net of Accumulated Depreciation | 5,406,132 | 13,686 | 5,419,818 |
| Total Assets | <u>10,127,272</u> | <u>46,578</u> | <u>10,173,850</u> |
| Liabilities | | | |
| Accounts Payable | 84,097 | - | 84,097 |
| Accrued Wages and Payroll Liabilities | 26,006 | 59 | 26,065 |
| Accrued Interest Payable | 6,078 | - | 6,078 |
| Deferred Revenue - Succeeding Year Taxes | 2,861,116 | - | 2,861,116 |
| Unearned Revenue | 153,480 | - | 153,480 |
| Long-Term Liabilities: | | | |
| Debt Due Within One Year: | | | |
| Bonds Payable | 455,000 | - | 455,000 |
| Lease Payable | 186,276 | - | 186,276 |
| Early Retirement Payable | 24,934 | - | 24,934 |
| Debt Due in More Than One Year: | | | |
| Bonds Payable | 1,190,000 | - | 1,190,000 |
| Lease Payable | 388,125 | - | 388,125 |
| Early Retirement Payable | 226,540 | - | 226,540 |
| Net OPEB Liability | 2,234 | - | 2,234 |
| Total Liabilities | <u>5,603,886</u> | <u>59</u> | <u>5,603,945</u> |
| Net Assets | | | |
| Invested in Capital Assets, Net of Related Debt | 3,312,226 | 13,686 | 3,325,912 |
| Restricted for: | | | |
| Physical Plant and Equipment Levy | 51,215 | - | 51,215 |
| Categorical Funding | 89,823 | - | 89,823 |
| Debt Service | 49,437 | - | 49,437 |
| Other Special Revenue Purposes | 97,168 | - | 97,168 |
| Management Levy | 238,326 | - | 238,326 |
| Unrestricted | 685,191 | 32,833 | 718,024 |
| Total Net Assets | <u>\$ 4,523,386</u> | <u>\$ 46,519</u> | <u>\$ 4,569,905</u> |

See Accompanying Notes to Financial Statements

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

| Functions/Programs | Expenses | Program Revenues | | |
|--|--------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| Instruction: | | | | |
| Regular Instruction | \$ 3,000,400 | \$ 1,004,395 | \$ 399,464 | \$ - |
| Special Instruction | 942,415 | 525,333 | 22,624 | - |
| Other Instruction | 825,001 | 153,743 | 209,797 | - |
| Support Services: | | | | |
| Student Services | 112,565 | - | 1,501 | - |
| Instructional Staff Services | 134,200 | - | 14,372 | - |
| Administration Services | 509,070 | - | - | - |
| Operations and Maintenance | 513,427 | - | - | - |
| Transportation Services | 258,436 | - | - | - |
| Central Support Services | 130,799 | - | - | - |
| Other Expenditures: | | | | |
| Long-term Debt Interest and Fiscal Charges | 41,982 | - | - | - |
| AEA Flow-Through | 177,644 | - | 177,644 | - |
| Unallocated Depreciation* | 161,504 | - | - | - |
| Total Governmental Activities | 6,807,443 | 1,683,471 | 825,402 | - |
| Business-Type Activities: | | | | |
| School Nutrition Fund | 333,942 | 175,215 | 169,415 | - |
| Total School District | \$ 7,141,385 | \$ 1,858,686 | \$ 994,817 | \$ - |

General Revenues:

Property Tax Levied For:
General Purposes
Debt Service
Capital Outlay
Management Levy
Statewide Sales and Services Tax
Unrestricted State Grants
Interest on Investments
Miscellaneous
Total General Revenues

Change in Net Assets

Net Assets - Beginning
Prior Period Adjustment
Net Assets - Beginning, as Restated

Net Assets - Ending

* This amount excludes the depreciation included in the direct expenses of the various programs.

| Net (Expense) Revenue and Changes in Net Assets | | |
|--|-----------------------------|----------------|
| Governmental Activities | Business-Type Activities | Total |
| \$ (1,596,541) | | \$ (1,596,541) |
| (394,458) | | (394,458) |
| (461,461) | | (461,461) |
| (111,064) | | (111,064) |
| (119,828) | | (119,828) |
| (509,070) | | (509,070) |
| (513,427) | | (513,427) |
| (258,436) | | (258,436) |
| (130,799) | | (130,799) |
| (41,982) | | (41,982) |
| - | | - |
| (161,504) | | (161,504) |
| (4,298,570) | | (4,298,570) |
| - | \$ 10,688 | 10,688 |
| (4,298,570) | 10,688 | (4,287,882) |
| 1,641,725 | - | 1,641,725 |
| 498,848 | - | 498,848 |
| 51,631 | - | 51,631 |
| 99,849 | - | 99,849 |
| 299,130 | - | 299,130 |
| 1,221,410 | - | 1,221,410 |
| 40,909 | 304 | 41,213 |
| 10,023 | - | 10,023 |
| 3,863,525 | 304 | 3,863,829 |
| (435,045) | 10,992 | (424,053) |
| 4,539,346 | 35,527 | 4,574,873 |
| 419,085 | - | 419,085 |
| 4,958,431 | 35,527 | 4,993,958 |
| \$ 4,523,386 | \$ 46,519 | \$ 4,569,905 |

See Accompanying Notes to Financial Statements

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

| | General | Debt Service | Capital Projects | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|-------------------|---------------------|--------------------------------|--------------------------------|
| Assets | | | | | |
| Cash and Pooled Investments: | \$ 794,628 | \$ 51,124 | \$ 29,948 | \$ 410,310 | \$ 1,286,010 |
| Receivables: | | | | | |
| Property Taxes | 14,452 | 4,391 | - | 1,333 | 20,176 |
| Property Taxes - Succeeding Year | 2,112,008 | 490,525 | - | 258,583 | 2,861,116 |
| Other Accounts Receivable | 2,438 | - | - | - | 2,438 |
| Accrued Interest | 2,502 | - | - | - | 2,502 |
| Due from Other Governmental Agencies | 286,866 | - | 49,972 | - | 336,838 |
| Due from Other Funds | 20,360 | - | - | - | 20,360 |
| Prepaid Expenses | 38,390 | - | - | - | 38,390 |
| Total Assets | <u>3,271,644</u> | <u>546,040</u> | <u>79,920</u> | <u>670,226</u> | <u>4,567,830</u> |
| Liabilities and Fund Balances | | | | | |
| Liabilities | | | | | |
| Accounts Payable | 75,651 | - | 8,446 | - | 84,097 |
| Accrued Wages and Payroll Liabilities | 26,006 | - | - | - | 26,006 |
| Early Retirement Payable | | - | - | 24,934 | 24,934 |
| Deferred Revenue: | | | | | |
| Succeeding Year Taxes | 2,112,008 | 490,525 | - | 258,583 | 2,861,116 |
| Other | 153,480 | - | - | - | 153,480 |
| Total Liabilities | <u>2,367,145</u> | <u>490,525</u> | <u>8,446</u> | <u>283,517</u> | <u>3,149,633</u> |
| Fund Balances | | | | | |
| Reserved for: | | | | | |
| Categorical Funding | 89,823 | - | - | - | 89,823 |
| Debt Service | - | 55,515 | - | - | 55,515 |
| Prepaid Expenses | 38,390 | - | - | - | 38,390 |
| Unreserved for: | | | | | |
| General Fund | 776,286 | - | - | - | 776,286 |
| Special Revenue Fund | - | - | - | 386,709 | 386,709 |
| Capital Project Fund | - | - | 71,474 | - | 71,474 |
| Total Fund Balances | <u>904,499</u> | <u>55,515</u> | <u>71,474</u> | <u>386,709</u> | <u>1,418,197</u> |
| Total Liabilities and Fund Balances | <u>\$ 3,271,644</u> | <u>\$ 546,040</u> | <u>\$ 79,920</u> | <u>\$ 670,226</u> | <u>\$ 4,567,830</u> |

See Accompanying Notes to Financial Statements

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
JUNE 30, 2010**

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

| | |
|--|----------------------------|
| Total Fund Balance - Governmental Funds (page 17) | \$ 1,418,197 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. | 5,531,627 |
| Accrued interest payable on long term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. | (6,078) |
| Bond issue costs are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources | 27,815 |
| Long-term liabilities, including bonds and notes payable, capital leases compensated absences and other postemployment benefits payable, are not due and payable in the current period and therefore are not reported in the governmental funds. | <u>(2,448,175)</u> |
| Total Net Assets - Governmental Activities (page 14) | <u><u>\$ 4,523,386</u></u> |

See Accompanying Notes to Financial Statements

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

| | General | Debt Service | Capital Projects | Other Governmental Funds | Total Governmental Funds |
|--|-------------------|------------------|---------------------|--------------------------------|--------------------------------|
| Revenues | | | | | |
| Local Sources: | | | | | |
| Local Tax | \$ 1,641,725 | \$ 498,848 | \$ 299,130 | \$ 151,480 | \$ 2,591,183 |
| Tuition | 1,453,296 | - | - | - | 1,453,296 |
| Other | 113,274 | 1,167 | 1,167 | 165,499 | 281,107 |
| State Sources | 1,760,473 | - | - | - | 1,760,473 |
| Federal Sources | 286,339 | - | - | - | 286,339 |
| Total Revenues | <u>5,255,107</u> | <u>500,015</u> | <u>300,297</u> | <u>316,979</u> | <u>6,372,398</u> |
| Expenditures | | | | | |
| Instruction: | | | | | |
| Regular Instruction | 1,947,722 | - | 814,451 | 49,290 | 2,811,463 |
| Special Instruction | 942,415 | - | - | - | 942,415 |
| Other Instruction | 692,541 | - | - | 132,460 | 825,001 |
| Support Services: | | | | | |
| Student Services | 112,565 | - | - | - | 112,565 |
| Instructional Staff Services | 133,912 | - | - | 288 | 134,200 |
| Administration Services | 493,247 | 34,755 | - | 2,639 | 530,641 |
| Operations and Maintenance | 401,834 | - | 150,483 | 59,720 | 612,037 |
| Transportation Services | 202,284 | - | 6,000 | 6,926 | 215,210 |
| Central Support Services | 130,799 | - | - | - | 130,799 |
| Other Expenditures: | | | | | |
| Long-Term Debt: | | | | | |
| Principal | - | 647,976 | - | - | 647,976 |
| Interest and Fiscal Charges | - | 56,865 | - | - | 56,865 |
| AEA Flow-Through | 177,644 | - | - | - | 177,644 |
| Total Expenditures | <u>5,234,963</u> | <u>739,596</u> | <u>970,934</u> | <u>251,323</u> | <u>7,196,816</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>20,144</u> | <u>(239,581)</u> | <u>(670,637)</u> | <u>65,656</u> | <u>(824,418)</u> |
| Other Financing Sources (Uses) | | | | | |
| Payments on Refunding Debt | - | (2,050,000) | - | - | (2,050,000) |
| Long-Term Debt Proceeds | - | 2,088,950 | 757,377 | - | 2,846,327 |
| Transfers In | - | 184,979 | - | - | 184,979 |
| Transfers Out | - | - | (184,979) | - | (184,979) |
| Total Other Financing Sources | <u>-</u> | <u>223,929</u> | <u>572,398</u> | <u>-</u> | <u>796,327</u> |
| Net Change in Fund Balance | <u>20,144</u> | <u>(15,652)</u> | <u>(98,239)</u> | <u>65,656</u> | <u>(28,091)</u> |
| Fund Balances at Beginning of Year | <u>884,355</u> | <u>71,167</u> | <u>169,713</u> | <u>321,053</u> | <u>1,446,288</u> |
| Fund Balances at End of Year | <u>\$ 904,499</u> | <u>\$ 55,515</u> | <u>\$ 71,474</u> | <u>\$ 386,709</u> | <u>\$ 1,418,197</u> |

See Accompanying Notes to Financial Statements

**SIoux CENTRAL COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

Amounts reported for governmental activities in the Statement of Activities are different because:

| | | |
|--|----|----------|
| Net Change in Fund Balances - Total Governmental funds (page 19) | \$ | (28,091) |
|--|----|----------|

Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense exceeded capital outlays in the current year as follows:

| | | |
|---------------------------------|------------------|----------|
| Expenditures for capital assets | 169,103 | |
| Depreciation expense | <u>(235,386)</u> | (66,283) |

| | |
|---|--------|
| Bond issuance costs, premiums, discounts and similar items are deferred and amortized in the Statements of Activities | 27,815 |
|---|--------|

| | |
|--|-------|
| Accrued interest expense that does not require current financial resources | 8,639 |
|--|-------|

| | |
|--|-------------|
| Bond proceeds provide current financial resources to governmental funds, but increases long-term liabilities in the Statement of Net Assets. | (2,846,327) |
|--|-------------|

| | |
|--|-----------|
| The repayment of the principal of long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The Statement of Activities does not reflect the payment of principal on long-term debt. The principal paid on long-term debt during the current year was: | 2,697,976 |
|--|-----------|

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

| | | |
|-------------------------------|----------------|------------------|
| Early Retirement | (226,540) | |
| Other Postemployment Benefits | <u>(2,234)</u> | <u>(228,774)</u> |

| | | |
|---|----|------------------|
| Change in Net Assets of Governmental Activities (page 16) | \$ | <u>(435,045)</u> |
|---|----|------------------|

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2010**

| | School Nutrition Fund |
|--|--------------------------|
| Assets | |
| Current Assets: | |
| Cash and Cash Equivalents | \$ 40,278 |
| Inventories | 12,974 |
| Total Current Assets | <u>53,252</u> |
| Noncurrent Assets: | |
| Infrastructure, Property and Equipment, Net of Accumulated Depreciation | <u>13,686</u> |
| Total Assets | <u><u>66,938</u></u> |
| Liabilities | |
| Salaries and Benefits Payable | 59 |
| Due to Other Funds | 20,360 |
| Total Liabilities | <u><u>20,419</u></u> |
| Net Assets | |
| Invested in Capital Assets, Net of Related Debt | 13,686 |
| Unrestricted | 32,833 |
| Total Net Assets | <u><u>\$ 46,519</u></u> |

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2010**

| | School Nutrition Fund |
|-----------------------------------|--------------------------|
| Operating Revenues: | |
| Charges for Services | \$ 159,395 |
| Miscellaneous | 15,820 |
| Total Operating Revenue | <u>175,215</u> |
| Operating Expenses: | |
| Non-Instructional Programs: | |
| Food Service Operations: | |
| Salaries | 104,711 |
| Benefits | 47,049 |
| Food | 170,044 |
| Supplies | 7,546 |
| Other Expense | 1,783 |
| Depreciation | 2,809 |
| Total Operating Expenses | <u>333,942</u> |
| Operating (Loss) | (158,727) |
| Non-Operating Revenue: | |
| Interest Income | 304 |
| State Lunch Reimbursements | 3,327 |
| National School Lunch Program | 132,178 |
| Federal Food Commodities Received | 33,910 |
| Total Non-Operating Revenue | <u>169,719</u> |
| Change in Net Assets | 10,992 |
| Net Assets - Beginning | <u>35,527</u> |
| Net Assets - Ending | <u><u>\$ 46,519</u></u> |

See Accompanying Notes to Financial Statements

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2010**

| | School Nutrition Fund |
|---|----------------------------|
| Cash Flows from Operating Activities | |
| Cash Received from Customers | \$ 175,215 |
| Cash Payments for Salaries and Benefits | (151,760) |
| Cash Payments for Goods and Services | <u>(149,136)</u> |
| Net Cash (Used) by Operating Activities | <u>(125,681)</u> |
| Cash Flows from Non-Capital Financing Activities | |
| Federal and State Appropriations Received | 135,505 |
| Cash Received from General Fund | <u>703</u> |
| Net Cash Provided by Non-Capital Financing Activities | <u>136,208</u> |
| Cash Flows from Investing Activities | |
| Interest on Investments | <u>304</u> |
| Net Increase in Cash and Cash Equivalents | 10,831 |
| Cash and Cash Equivalents at Beginning of Year | <u>29,447</u> |
| Cash and Cash Equivalents at End of Year | <u><u>\$ 40,278</u></u> |
| Reconciliation of Operating (Loss) to Net Cash (Used) in Operating Activities: | |
| Operating (Loss) | \$ (158,727) |
| Adjustments to Reconcile Operating (Loss) to Net Cash (Used) in Operating Activities: | |
| Depreciation Expense | 2,809 |
| Commodities Used | 33,910 |
| Change in Assets and Liabilities: | |
| Increase in Inventory | (3,578) |
| Decrease in Accounts Payable | <u>(95)</u> |
| Net Cash (Used) by Operating Activities | <u><u>\$ (125,681)</u></u> |
| Supplemental Schedule of Noncash Noncapital Financial Activities: | |
| Federal Food Commodities Received | <u><u>\$ 33,910</u></u> |

See Accompanying Notes to Financial Statements

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Sioux Central Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Sioux Rapids, Rembrandt, Lynn Grove and Peterson, Iowa, and agricultural area in Buena Vista, Clay, Cherokee and O'Brien Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Sioux Central Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Sioux Central Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Buena Vista and Clay Counties Assessor's Conference Boards.

B. Basis of Presentation

Government-wide Financial Statements – The Statements of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

- ***Invested in Capital Assets***, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction or improvement of those assets.
- ***Restricted Net Assets*** result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
- ***Unrestricted Net Assets*** consist of net assets that do not meet the definition of the two preceding categories. Unrestricted Net Assets often have constraints on resources that are imposed which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental and proprietary funds:

- The **General Fund** is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for the instructional and most of the support service programs of the District's operations. Revenue of the General Fund consists primarily of local property taxes and state government aid.
- The **Debt Service Fund** is used to account for the accumulation of resources for and the payment of general long-term debt principal and interest.
- The **Capital Projects Fund** is used to account for all resources used in the acquisition and construction of capital facilities.

SIoux CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- The District's proprietary fund is the **Enterprise, School Nutrition Fund**. This fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

SIoux CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost. For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2010 included certificates of deposits of \$437,710 with original maturity dates longer than three months.

Property Tax Receivable – Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2009.

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

| | |
|-----------------------------------|-----------|
| Land | \$ 1,000 |
| Buildings | \$ 10,000 |
| Improvements other than Buildings | \$ 10,000 |
| Furniture and Equipment: | |
| School Nutrition Fund Equipment | \$ 500 |
| Other Furniture and Equipment | \$ 2,500 |

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

| | |
|-----------------------------------|---------------|
| Buildings | 50 years |
| Improvements other than Buildings | 20 – 50 years |
| Furniture and Equipment | 5 – 15 years |

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year-end.

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties or use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June, 30, 2010, expenditures in the instructional program exceeded the amount budgeted and the District did not exceed its General Fund unspent authorized budget.

Note 2 – CASH AND POOLED INVESTMENTS

The District's deposits in banks at June 30, 2010, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certifies of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Note 2 – CASH AND POOLED INVESTMENTS (Continued)

The reconciliation of cash and cash equivalents and temporary cash and pooled investments for the District at June 30, 2010 is as follows:

| | |
|---------------------------------|---------------------|
| Cash and Cash Equivalents | \$ 888,578 |
| Certificates of Deposit..... | 437,710 |
| | <u>\$ 1,326,288</u> |

Custodial Credit Risk – The District has no policy in place regarding custodial credit risk and deposits with financial institutions, however, deposits are insured by the state sinking fund, which provides for additional assessments against depositories to avoid loss of public funds.

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment . Generally the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does have a formal investment policy that limits investment maturities to 397 days or less. The District’s investments consist of certificates of deposit that have original maturities of less then 397 days.

Note 3 – IOWA SCHOOL CASH ANTICIPATION PROGRAM (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-10A warrants was 2.50%. The interest rate on the Series 2009-10B warrants is a variable rate calculated daily based upon the Bankers Trust Co. NA prime rate plus 50 basis points with a minimum interests rate of 4.50%. A summary of the District’s ISCAP activity for the year ended June 30, 2010 is as follows:

| Series | Warrant Date | Final Warrant Maturity | Balance Beginning of Year | Advances Received | Advances Repaid | Balance End of Year | Interest Payable |
|----------|--------------|------------------------|---------------------------|-------------------|---------------------|---------------------|------------------|
| 2008-09B | 1/21/2009 | 1/21/2010 | \$ 385,000 | \$ - | \$ 385,000 | \$ - | \$ - |
| 2009-10A | 6/25/2009 | 6/23/2010 | 1,207,000 | - | 1,207,000 | - | - |
| Total | | | <u>\$ 1,592,000</u> | <u>\$ -</u> | <u>\$ 1,592,000</u> | <u>\$ -</u> | <u>\$ -</u> |

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Note 3 – IOWA SCHOOL CASH ANTICIPATION PROGRAM (ISCAP) (Continued)

During the year ended June 30, 2010, the District paid \$17,510 of interest on the ISCAP warrants.

Note 4 – CAPITAL ASSETS

Capital Assets activity for the year ended June 30, 2010, is as follows:

| | Balance July 1, 2009 | Prior Period Adjustment | Additions | Deletions | Balance June 30, 2010 |
|---|---------------------------------|------------------------------------|------------------|------------------|----------------------------------|
| Governmental Activities: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 125,495 | \$ - | \$ - | \$ - | \$ 125,495 |
| Construction in Progress | 15,821 | - | - | (15,821) | - |
| Total assets not being depreciated | 141,316 | - | - | (15,821) | 125,495 |
| Capital assets being depreciated: | | | | | |
| Buildings | 6,476,302 | 450,371 | 121,589 | - | 7,048,262 |
| Improvements other than buildings | 58,025 | - | - | - | 58,025 |
| Furniture and Equipment | 3,972,093 | (2,377,676) | 63,335 | - | 1,657,752 |
| Total capital assets being depreciated | 10,506,420 | (1,927,305) | 184,924 | - | 8,764,039 |
| Less: Accumulated Depreciation for: | | | | | |
| Buildings | 1,800,462 | 191,664 | 135,245 | - | 2,127,371 |
| Improvements other than buildings | 14,505 | 1 | 2,901 | - | 17,407 |
| Furniture and Equipment | 3,653,944 | (2,538,055) | 97,240 | - | 1,213,129 |
| Total Accumulated Depreciation | 5,468,911 | (2,346,390) | 235,386 | - | 3,357,907 |
| Total capital assets being depreciated, net | 5,037,509 | 419,085 | (50,462) | - | 5,406,132 |
| Governmental activities capital assets, net | 5,178,825 | 419,085 | (50,462) | (15,821) | 5,531,627 |
| Business-type Activity: | | | | | |
| Furniture and Equipment | 72,278 | - | - | - | 72,278 |
| Less Accumulated Depreciation | 55,783 | - | 2,809 | - | 58,592 |
| Business-type activity capital assets, net | \$ 16,495 | \$ - | \$ (2,809) | \$ - | \$ 13,686 |

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 4 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to the following functions:

Governmental Activities:

| | |
|--|-------------------|
| Transportation Services | \$ 43,226 |
| Regular Instruction | 11,239 |
| Operation and Maintenance | 19,417 |
| Unallocated | 161,504 |
| Total depreciation expense - governmental activities | <u>\$ 235,386</u> |

Business-type Activities:

| | |
|-------------------------|-----------------|
| Food Service Operations | <u>\$ 2,809</u> |
|-------------------------|-----------------|

Reconciliation of Investment in Capital Assets:

| | <u>Governmental Activities</u> | <u>Business-type Activity</u> |
|---|------------------------------------|-----------------------------------|
| Land | \$ 125,495 | \$ - |
| Capital Assets (net of accumulated depreciation) | 5,406,132 | 13,686 |
| Less: | | |
| Bonds Payable | 1,645,000 | - |
| Leases Payable | <u>574,401</u> | <u>-</u> |
| Investment in Capital Assets, Net of Related Debt | <u>\$ 3,312,226</u> | <u>\$ 13,686</u> |

Note 5 – LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|---------------------------------|------------------------------|--------------------|---------------------|---------------------------|--------------------------------|
| Governmental Activities: | | | | | |
| General Obligation Bonds | \$ 2,071,050 | \$2,088,950 | \$ 2,515,000 | \$ 1,645,000 | \$ 455,000 |
| Capital Lease Payable | - | 757,377 | 182,976 | 574,401 | 186,276 |
| Early Retirement | - | 251,474 | - | 251,474 | 24,934 |
| Net OPEB Liability | <u>-</u> | <u>2,234</u> | <u>-</u> | <u>2,234</u> | <u>-</u> |
| Long-Term Liabilities | <u>\$ 2,071,050</u> | <u>\$3,100,035</u> | <u>\$ 2,697,976</u> | <u>\$ 2,473,109</u> | <u>\$ 666,210</u> |

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Note 5 – LONG-TERM LIABILITIES (Continued)

General Obligation Bonds

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

| Year Ending June 30 | Interest Rates | Refunding Bond Issue of July 29, 2009 | |
|------------------------------------|---------------------------|--|------------------|
| | | Principal | Interest |
| 2011 | 1.60 | \$ 455,000 | \$ 38,525 |
| 2012 | 1.60 | 470,000 | 28,245 |
| 2013 | 2.10 | 475,000 | 18,375 |
| 2014 | 2.45 | 245,000 | 6,737 |
| | Total | <u>\$1,645,000</u> | <u>\$ 91,882</u> |

Refunding Bonds

The General Obligation School Refunding Bonds Series 2009 were issued on July 29th, 2009 in the amount of \$2,050,000 to refund the General Obligation School Refunding Bonds issued May 1, 1999, originally issued in the aggregate principal amount of \$3,565,000. The new bonds bear interest from 1.60% to 2.75% and are due in annual installments ranging from \$245,000 to \$475,000 through May 1, 2014. The new issue will reduce debt service payments by \$94,068 with an economic gain of \$87,348 or 4.493%.

Capital Leases

As of June 30, 2010, equipment under two capital leases consists of laptop computers and multiple copiers. The laptop computers were not capitalized due to each individual laptop being under the District's capitalization policy. The copier had a capitalized cost of \$41,262. Accumulated depreciation in the statement of net assets and depreciation reported in the statement of activities in the amount of \$4,126 was recorded in 2010 relating to the copiers. Future lease payment are summarized as follows:

| Year Ending June 30 | Governmental Activities | |
|------------------------------------|--------------------------------|-----------------|
| | Principal | Interest |
| 2011 | \$ 186,276 | \$ 2,953 |
| 2012 | 186,930 | 2,299 |
| 2013 | 187,644 | 1,585 |
| 2014 | 9,392 | 808 |
| 2015 | <u>4,159</u> | <u>91</u> |
| | <u>\$ 574,401</u> | <u>\$ 7,736</u> |

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Note 5 – LONG-TERM LIABILITIES (Continued)

Early Retirement

The District offered a one-time voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of service as a full-time licensed employee to the District. Employees must complete an application which is required to be approved by the Board of Education. The District will provide insurance premium assistance to age 65 for the retiree. The amount of the assistance is the single insurance premium rate at the time of the retiree's last year of employment. Early retirement benefits paid during the year ended June 30, 2010, totaled \$0. There were zero retired individuals receiving benefits at June 30, 2010.

Note 6 – INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2010, short-term interfund borrowings were as follows:

| <u>Fund Due To</u> | <u>Fund Due From</u> | <u>Amount</u> |
|--------------------|----------------------|------------------|
| General Fund | Nutrition Fund | \$ 20,360 |
| | | <u>\$ 20,360</u> |

The purpose of the interfund balance is for payroll that was generated and paid through the General Fund which was for the Nutrition Fund.

Note 7 – PENSION AND RETIREMENT BENEFITS

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P O Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.30% of their annual salary and the District is required to contribute 6.65% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$214,573, \$209,032, and \$188,608, respectively, equal to the required contributions for each year.

Note 8 – OTHER POSTEMPLOYMENT BENEFITS

During fiscal 2010, the District adopted the provisions of GASB 45 "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions". The major change under GASB 45 is to attribute the cost of post-employment benefits to the time during which the employee is working for the employer. Accordingly, a prospective liability is recorded

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Note 8 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

at June 30, 2010 for a Post-Employment Benefit Obligation as determined by an actuarial calculation.

Plan Description. An employee who has a minimum of 10 years of service and age 55 are provided single coverage health insurance until they reach the age of 65. Premiums are based on the full active employee premium rate.

Funding Policy. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and NET OPEB Obligation. The District's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan:

| | |
|--|------------------------|
| Annual required contribution | \$ 45,347 |
| Interest on net OPEB obligation | - |
| Adjustment to annual required contribution | - |
| Annual OPEB cost (Expense) | <u>45,347</u> |
| Contributions made | <u>(43,113)</u> |
| Increase in net OPEB obligation | 2,234 |
| Net OPEB obligation - beginning of year | - |
| Net OPEB obligation - end of year | <u><u>\$ 2,234</u></u> |

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 were as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|------------------------------|-----------------------------|---|--------------------------------|
| 2010 | \$ 45,347 | 95.07% | \$ 2,234 |

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Note 8 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funded Status and Funding Progress. The funded status of the plan as of December 31, 2009 was as follows:

| | |
|---|-------------------|
| Actuarial accrued liability (AAL) | \$ 375,987 |
| Actuarial value of plan assets | - |
| Unfunded actuarial accrued liability (UAAL) | <u>\$ 375,987</u> |
| Funded ratio (actuarial value of plan assets/AAL) | - |
| Covered payroll (active members) | \$ 2,778,746 |
| UAAL as a percentage of covered payroll | 13.53% |

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point and do not explicitly reflect the potential effect of legal or contractual funding limitation. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Note 9 – AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$177,644 for the year ended June 30, 2010, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10 – RISK MANAGEMENT

Sioux Central Community School District is a member in the Iowa School Employees Benefit Association, an Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (ISEBA) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed in July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision and prescription drugs. Sioux Central Community School District is exposed to various risks of loss related to torts, theft, damage to and destruction

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 10 – RISK MANAGEMENT (Continued)

of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 11- CATEGORICAL FUNDING

The District's reserved fund balance for categorical funding at June 30, 2010 is comprised of the following programs:

| Program | Amount |
|--|------------------|
| Limited English Proficient | \$ 623 |
| Talented and Gifted | 33,307 |
| Early Intervention | 27,400 |
| Model Core Curriculum | 10,848 |
| Teacher Quality Professional Development | 14,524 |
| Market Factor | 3,121 |
| Total | <u>\$ 89,823</u> |

Note 12 – PRIOR PERIOD ADJUSTMENT

During fiscal year 2010, the District began using the inventory component of their accounting software to track fixed assets and other smaller inventory items. In prior years they never had a complete and detailed listing of their fixed assets. They also reduced their capitalization limit for furniture and equipment from \$10,000 to \$2,500. These changes increased net assets by \$419,085. Additional detail of the change can be found in Note 4.

**REQUIRED SUPPLEMENTARY
INFORMATION**

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET
AND ACTUAL, ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2010

| | Governmental Funds Actual | Proprietary Fund Actual | Total Actual | Budgeted Amounts Original | Final to Actual Variance |
|--|---------------------------------|-------------------------------|---------------------|---------------------------------|--------------------------------|
| Receipts | | | | | |
| Local Sources: | | | | | |
| Local Taxes | \$ 2,591,183 | \$ - | \$ 2,591,183 | \$ 2,295,510 | \$ 295,673 |
| Tuition | 1,453,296 | - | 1,453,296 | 2,000,000 | (546,704) |
| Other | 281,107 | 175,519 | 456,626 | 940,000 | (483,374) |
| State Sources | 1,760,473 | 3,327 | 1,763,800 | 2,361,493 | (597,693) |
| Federal Sources | 286,339 | 166,088 | 452,427 | 350,000 | 102,427 |
| Total Receipts | <u>6,372,398</u> | <u>344,934</u> | <u>6,717,332</u> | <u>7,947,003</u> | <u>(1,229,671)</u> |
| Expenditures | | | | | |
| Instruction | 4,578,879 | - | 4,578,879 | 4,500,000 | (78,879) |
| Support Services | 1,735,452 | - | 1,735,452 | 2,450,000 | 714,548 |
| Non-Instructional Programs | - | 333,942 | 333,942 | 400,000 | 66,058 |
| Other Expenditures | 882,485 | - | 882,485 | 1,129,010 | 246,525 |
| Total Expenditures | <u>7,196,816</u> | <u>333,942</u> | <u>7,530,758</u> | <u>8,479,010</u> | <u>948,252</u> |
| Excess (Deficiency) of Revenues Over Expenditures | (824,418) | 10,992 | (813,426) | (532,007) | (281,419) |
| Other Financing Sources (Uses) | | | | | |
| Operating Transfers From Other Funds | 184,979 | - | 184,979 | - | 184,979 |
| Operating Transfers to Other Funds | (184,979) | - | (184,979) | - | (184,979) |
| Payment on Refunding Debt | (2,050,000) | - | (2,050,000) | - | (2,050,000) |
| Long-Term Debt Proceeds | 2,846,327 | - | 2,846,327 | - | 2,846,327 |
| Total Other Financing Sources (Uses) | <u>796,327</u> | <u>-</u> | <u>796,327</u> | <u>-</u> | <u>796,327</u> |
| Change in Fund Balance | (28,091) | 10,992 | (17,099) | (532,007) | 514,908 |
| Fund Balance at Beginning of Year | <u>1,446,288</u> | <u>35,527</u> | <u>1,481,815</u> | <u>1,481,815</u> | <u>-</u> |
| Fund Balance at End of Year | <u>\$ 1,418,197</u> | <u>\$ 46,519</u> | <u>\$ 1,464,716</u> | <u>\$ 949,808</u> | <u>\$ 514,908</u> |

See Accompanying Independent Auditor's Report

**SIoux CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2010**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, there were no budget amendments.

During the year ended June 30, 2010, expenditures in the instruction function exceeded the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
YEAR ENDED JUNE 30, 2010**

| Year Ended June 30, | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---------------------------|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|---|
| 2010 | 7/1/2009 | \$ - | \$ 375,987 | \$ 375,987 | 0% | \$ 2,778,746 | 13.5% |

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

**OTHER SUPPLEMENTARY
INFORMATION**

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
GOVERNMENTAL NONMAJOR FUNDS
JUNE 30, 2010**

SCHEDULE 1

| | Special Revenue Funds | | | Total |
|---|-----------------------|---------------------|---|-------------------|
| | Management Levy | Student Activity | Physical Plant and Equipment Levy | |
| Assets | | | | |
| Cash and Cash Equivalents | \$ 262,381 | \$ 97,168 | \$ 50,761 | \$ 410,310 |
| Receivables: | | | | |
| Property Tax | 879 | - | 454 | 1,333 |
| Succeeding Year Property Tax | 190,000 | - | 68,583 | 258,583 |
| Total Assets | <u>453,260</u> | <u>97,168</u> | <u>119,798</u> | <u>670,226</u> |
| Liabilities and Fund Balances | | | | |
| Liabilities | | | | |
| Early Retirement Payable | 24,934 | - | - | 24,934 |
| Deferred Revenue - Succeeding Year Taxes | 190,000 | - | 68,583 | 258,583 |
| Total Liabilities | <u>214,934</u> | <u>-</u> | <u>68,583</u> | <u>283,517</u> |
| Fund Balances | | | | |
| Unreserved for: | | | | |
| Special Revenue Funds | 238,326 | 97,168 | 51,215 | 386,709 |
| Total Fund Balances | <u>238,326</u> | <u>97,168</u> | <u>51,215</u> | <u>386,709</u> |
| Total Liabilities and Fund Balance | <u>\$ 453,260</u> | <u>\$ 97,168</u> | <u>\$ 119,798</u> | <u>\$ 670,226</u> |

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT **SCHEDULE 2**
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

| | Special Revenue Funds | | | |
|---|-----------------------|---------------------|---|-------------------|
| | Management Levy | Student Activity | Physical Plant and Equipment Levy | Total |
| Revenues | | | | |
| Local Sources | | | | |
| Local Tax | \$ 99,849 | \$ - | \$ 51,631 | \$ 151,480 |
| Other | 10,023 | 146,495 | 2,399 | 158,917 |
| Interest | 4,672 | 969 | 941 | 6,582 |
| Total Revenues | <u>114,544</u> | <u>147,464</u> | <u>54,971</u> | <u>316,979</u> |
| Expenditures | | | | |
| Instruction: | | | | |
| Regular Instruction | 45,534 | - | 3,756 | 49,290 |
| Other Instruction | - | 132,460 | - | 132,460 |
| Support Services: | | | | |
| Instructional Staff Services | - | 288 | - | 288 |
| Administration Services | 2,639 | - | - | 2,639 |
| Operation and Maintenance | 59,720 | - | - | 59,720 |
| Transportation Services | 6,926 | - | - | 6,926 |
| Total Expenditures | <u>114,819</u> | <u>132,748</u> | <u>3,756</u> | <u>251,323</u> |
| Net Change in Fund Balances | (275) | 14,716 | 51,215 | 65,656 |
| Fund Balances at Beginning of Year | <u>238,601</u> | <u>82,452</u> | <u>-</u> | <u>321,053</u> |
| Fund Balances at End of Year | <u>\$ 238,326</u> | <u>\$ 97,168</u> | <u>\$ 51,215</u> | <u>\$ 386,709</u> |

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF INDIVIDUAL STUDENT ACTIVITY ACCOUNT ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2010

SCHEDULE 3

| | Balance June 30, 2009 | Revenues and Interfund Transfers | Expenditures | Balance June 30, 2010 |
|---------------------------------|--------------------------|--|-------------------|--------------------------|
| Senior High | | | | |
| Drama | \$ 5,590 | \$ 3,547 | \$ 2,251 | \$ 6,886 |
| Spanish Club | 136 | - | 107 | 29 |
| Cross Country | 748 | 1,840 | 1,686 | 902 |
| Basketball | 6,489 | 9,516 | 7,714 | 8,291 |
| Football | 7,155 | 10,913 | 3,902 | 14,166 |
| Baseball/Softball | - | 16,108 | 14,965 | 1,143 |
| Track | 602 | 4,499 | 3,249 | 1,852 |
| Golf | 1,169 | - | 348 | 821 |
| Wrestling | 1,493 | 494 | 487 | 1,500 |
| Volleyball | 1,255 | 3,796 | 3,872 | 1,179 |
| Drill Team | 3,453 | 5,070 | 5,074 | 3,449 |
| SC Specialties | 43 | 1,835 | 1,351 | 527 |
| Cheerleading | - | 2,884 | 1,407 | 1,477 |
| Class of 2009 | 678 | - | 678 | - |
| Class of 2010 | 1,051 | - | 1,051 | - |
| Class of 2011 | - | 17,349 | 15,963 | 1,386 |
| HS Student Council | 7,468 | 2,805 | 2,521 | 7,752 |
| National Honor Society | 98 | - | 81 | 17 |
| Awards Fund | 4,972 | 10,972 | 6,488 | 9,456 |
| HS Activity Pass | - | 1,059 | 1,059 | - |
| FFA | 8,980 | 29,700 | 30,169 | 8,511 |
| FBLA | 1,431 | 145 | - | 1,576 |
| Girl's Bowling | 553 | - | - | 553 |
| Yearbook | 14,673 | 11,124 | 13,610 | 12,187 |
| FCCLA | 576 | 890 | 460 | 1,006 |
| IT Adventures | - | 74 | - | 74 |
| Quiz Bowl | - | 1,021 | 421 | 600 |
| NASA | 68 | 537 | 465 | 140 |
| | <u>68,681</u> | <u>136,178</u> | <u>119,379</u> | <u>85,480</u> |
| Junior High | | | | |
| JH Cross Country | 1,131 | - | - | 1,131 |
| JH Football | 1,553 | - | 720 | 833 |
| JH Baseball | 743 | 299 | 360 | 682 |
| JH Basketball | 836 | 1,600 | 1,925 | 511 |
| JH Volleyball | 794 | 688 | 740 | 742 |
| JH Softball | 760 | 300 | 620 | 440 |
| JH Track | 834 | - | 239 | 595 |
| JH Candy/Juice | 563 | 4,892 | 4,955 | 500 |
| JH Student Council | 618 | - | - | 618 |
| | <u>7,832</u> | <u>7,779</u> | <u>9,559</u> | <u>6,052</u> |
| Elementary | | | | |
| Elementary Principal | 355 | 2,023 | 737 | 1,641 |
| Elementary Activity Pass | - | - | - | - |
| Elementary Book Fair | 3,223 | - | 288 | 2,935 |
| Box Tops | 1,825 | 643 | 2,183 | 285 |
| | <u>5,403</u> | <u>2,666</u> | <u>3,208</u> | <u>4,861</u> |
| Miscellaneous | | | | |
| Interest | 104 | (30) | - | 74 |
| Rebel Threads | - | 370 | 102 | 268 |
| Adult Activity Pass | - | 500 | 500 | - |
| Electrathon | 432 | - | - | 432 |
| | <u>536</u> | <u>840</u> | <u>602</u> | <u>774</u> |
| Total for Activity Funds | <u>\$ 82,452</u> | <u>\$ 147,463</u> | <u>\$ 132,748</u> | <u>\$ 97,167</u> |

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST SEVEN YEARS

SCHEDULE 4

| | Modified Accrual Basis of Accounting | | | | | | |
|--------------------------------|--------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
| Revenues: | | | | | | | |
| Local Sources: | | | | | | | |
| Local Tax | \$ 2,591,183 | \$ 2,479,566 | \$ 2,459,303 | \$ 2,660,552 | \$ 2,441,883 | \$ 2,456,291 | \$ 2,298,569 |
| Tuition | 1,453,296 | 1,386,709 | 1,371,175 | 874,283 | 1,084,802 | 965,960 | 455,715 |
| Other | 281,107 | 331,802 | 333,626 | 440,522 | 257,772 | 236,111 | 197,783 |
| State Sources | 1,760,473 | 2,033,568 | 1,890,883 | 1,783,152 | 1,776,118 | 1,642,643 | 1,668,404 |
| Federal Sources | 286,339 | 233,461 | 261,894 | 266,668 | 579,219 | 724,543 | 452,558 |
| | <u>\$ 6,372,398</u> | <u>\$ 6,465,106</u> | <u>\$ 6,316,881</u> | <u>\$ 6,025,177</u> | <u>\$ 6,139,794</u> | <u>\$ 6,025,548</u> | <u>\$ 5,073,029</u> |
| Expenditures: | | | | | | | |
| Instruction: | | | | | | | |
| Regular Instruction | \$ 2,811,463 | \$ 2,230,833 | \$ 2,410,734 | \$ 2,181,684 | \$ 2,025,004 | \$ 2,226,542 | \$ 2,310,179 |
| Special Instruction | 942,415 | 768,164 | 696,382 | 697,452 | 602,269 | 719,023 | 766,178 |
| Other Instruction | 825,001 | 855,769 | 708,080 | 661,804 | 626,805 | 550,065 | 296,798 |
| Support Services: | | | | | | | |
| Student Services | 112,565 | 67,669 | 126,873 | 121,965 | 123,217 | 96,495 | 138,816 |
| Instructional Staff Services | 134,200 | 121,392 | 129,937 | 97,055 | 288,543 | 99,138 | 56,183 |
| Administration Services | 530,641 | 474,403 | 490,359 | 431,054 | 613,163 | 662,386 | 430,562 |
| Operations and Maintenance | 612,037 | 581,890 | 664,229 | 691,900 | 520,064 | 513,389 | 428,161 |
| Transportation Services | 215,210 | 286,986 | 236,172 | 235,680 | 257,341 | 214,250 | 140,968 |
| Central Support Services | 130,799 | 148,039 | 121,399 | 136,057 | 115,021 | 93,214 | - |
| Non-Instructional Programs | - | - | - | - | - | 473 | 1,479 |
| Other Expenditures: | | | | | | | |
| Judgements from Court Decisior | - | - | - | 5,000 | - | - | - |
| Facilities Acquisition | - | - | - | - | 10,000 | 117,016 | 33,693 |
| Long-term Debt: | | | | | | | |
| Principal | 647,976 | 405,000 | 390,000 | 392,889 | 452,804 | 290,000 | 336,578 |
| Interest and Other Charges | 56,865 | 106,610 | 122,795 | 138,121 | 156,047 | 221,243 | 244,075 |
| AEA Flowthrough | 177,644 | 162,232 | 157,411 | 153,027 | 161,131 | 146,814 | 151,819 |
| | <u>\$ 7,196,816</u> | <u>\$ 6,208,987</u> | <u>\$ 6,254,371</u> | <u>\$ 5,943,688</u> | <u>\$ 5,951,409</u> | <u>\$ 5,950,048</u> | <u>\$ 5,335,489</u> |

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**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Board of Education of the
Sioux Central Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Sioux Central Community School District, Iowa as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 7, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sioux Central Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Sioux Central Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sioux Central Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and is not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings as item 10-II-A and 10-II-B to be material weaknesses in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sioux Central Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Sioux Central Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Sioux Central Community School District's responses, and accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Sioux Central Community School District and other parties to whom Sioux Central Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Sioux Central Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Williams & Company, P.C.

Certified Public Accountants

Spencer, Iowa
December 7, 2010

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2010**

PART I – SUMMARY OF INDEPENDENT AUDITOR’S RESULTS

- (A) An unqualified opinion was issued on the financial statements.
- (B) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (C) The audit did not disclose any non-compliance, which is material to the financial statements.

PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS

INSTANCES OF NON-COMPLIANCE: No matters were reported.

SIGNIFICANT DEFICIENCIES:

10-II-A Segregation of Duties

Observation – During our review of internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District’s financial statements.

Recommendation – We realize with a limited number of personnel, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response – The District feels that additional personnel would not be cost effective. However, management and the school board will review procedures and investigate available alternatives.

Conclusion – Response accepted.

10-II-B Financial Reporting

Observation – During our audit, we identified material and immaterial amounts of receivables, prepaid health insurance, accrued benefits, fixed assets, leases payable and accounts payables not properly recorded in the District’s financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all receivables and payables are identified and included in the District’s financial statements.

Response – We will double check these in the future to avoid missing any receivable, prepaid, fixed asset and payable transactions.

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2010**

PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS (CONTINUED)

Conclusion – Response accepted.

PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

10-III-A: Certified Budget – Expenditures for the year ended June 30, 2010, exceeded the certified budget amounts in the instruction function.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget

Response – The District will amend future budgets before expenditures exceed the budget.

Conclusion – Response accepted.

10-III-B: Questionable Disbursements – No expenditures that did not meet the requirement of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.

10-III-C: Travel Expense – No expenditures of Sioux Central Community School District were for travel expenses of spouses of District officials or employees.

10-III-D: Business Transactions – No business transactions between the District and the District officials or employees were noted.

10-III-E: Bond Coverage - Surety bond coverage of Sioux Central Community School District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

10-III-F: Board Minutes – No transactions were found that we believe should have been approved by the Board minutes but were not.

10-III-G: Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

10-III-H: Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

09-III-I: Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the District's investment policy were noted.

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2010**

**PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING
(CONTINUED)**

10-III-J: Certified Annual Report – The Certified Annual Report was filed timely with the Department of Education.

10-III-K: Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

10-III-L: Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provision of chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales and services tax are as follows:

| | | |
|--|---------|-------------------|
| Beginning Balance | | \$ (29,899) |
| Statewide Sales and Services Tax Revenue | | 299,130 |
| Expenditures/Transfers Out: | | |
| School Infrastructure: | | |
| Buildings | 121,589 | |
| Other Improvements | 20,634 | <u>142,223</u> |
| Ending Balance | | <u>\$ 127,008</u> |

10-III-M: Deficit Balances – No funds had deficit balances at June 30, 2010.